

Message Text

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PAGE 01 LIMA 06497 071954Z

70

ACTION ARA-20

INFO OCT-01 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06 NSAE-00

NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20 STR-08

TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 OMB-01 SWF-02

FEA-02 XMB-07 DRC-01 /185 W
----- 126033

R 071631Z AUG 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1345

INFO AMEMBASSY BOGOTA

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY MONTEVIDEO

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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DEPARTMENT FOR FULLMER ARA/ECP

E.O. 11652: N/A

TAGS: EGEN, EFIN, ECRP, CI

SUBJECT: CHILEAN FOREIGN INVESTMENT LAW

REF: SANTIAGO 4165

1. PRESS REPORTS DATED LINED CARACAS AND CARRIED IN LIMA STATE
THAT VENEZUELA WILL REQUEST AN EARLY MEETING OF THE ANDEAN
PACT COMMISSION TO CONSIDER THE "CRISIS" CREATED BY CHILE'S
PROMULGATION OF ITS FOREIGN INVESTMENT LAW WHICH ACCORDING
TO VENEZUELA DOES NOT CONFORM WITH THE PROVISIONS OF DECISION
24. THE PRESS ALSO CARRIED A DENIAL BY A CAF SPOKESMAN THAT
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THERE WAS ANY SERIOUS PROBLEM WITHIN THE ANDEAN PACT. A SPOKE-

SMAN AT THE PERUVIAN NATIONAL INTEGRATION OFFICE TOLD EMBASSY OFFICER THAT VENEZUELA HAS ALREADY MADE THIS REQUEST AND THAT MEETING WOULD BEGIN THIS WEEK.

2. ACCORDING TO A MEMBER OF THE LEGAL STAFF OF THE ANDEAN PACT JUNTA, THE NEW CHILEAN FOREIGN INVESTMENT LAW HAS, IN FACT, CREATED SERIOUS PROBLEMS WITHIN THE PACT. VENEZUELA HAS JUST PRODUCED ITS OWN INVESTMENT LAW WHICH IS IN ACCORD WITH DECISION 24. PERUVIAN REGULATIONS ALREADY MATCH OR SURPASS DECISION 24. COLOMBIA, IN NOVEMBER, WILL PROMULGATE ITS FOREIGN INVESTMENT LAW WHICH WILL BE SIMILAR TO THE VENEZUELAN LAW. THESE THREE COUNTRIES ARE ALL STRONGLY OPPOSED TO THE NEW CHILEAN LAW ON THE GROUNDS THAT IT DOES NOT ESTABLISH NORMS FOR FOREIGN INVESTMENTS AND IS OUTSIDE THE SPIRIT OF DECISION 24 AND THE ANDEAN PACT. HE ADDED THAT AT A MEETING OF REPRESENTATIVES OF THE MEMBER COUNTRIES AT THE JUNTA DURING THE WEEK OF JULY 29 TO DISCUSS REVISION OF DECISION 24, THE SESSIONS WERE SPENT PRIMARILY DISCUSSING AND CRITICIZING THE CHILEAN LAW INSTEAD OF DECISION 24 ITSELF.

3. ACCORDING TO THE ANDEAN PACT STAFFER, THE CHILEAN LAW WAS PUSHED THROUGH BY SMALL GROUPS IN SEVERAL INDUSTRIAL SECTORS WHO HAD ONLY THEIR PARTICULAR SECTORAL INTERESTS IN MIND. THE CHILEAN GOVERNMENT WAS TOTALLY UNPREPARED FOR THE "UNANIMOUS" OPPOSITION ON THE PART OF THE OTHER ANDEAN PACT MEMBER COUNTRIES. HE ADDED THAT THE NEW CHILEAN LAW WOULD BE THE PRINCIPAL TOPIC OF DISCUSSION IN THE SEPTEMBER COMMISSION MEETING (HIS COMMENT HAS BEEN OVERTAKEN BY EVENTS) AND THAT ANY REVISION OF DECISION 24 WOULD HAVE TO AWAIT THE RESOLUTION OF THIS NEW PROBLEM. HE SAID THAT APPROVAL OF THE SECTORAL PROGRAMS OF INDUSTRIAL DEVELOPMENT MIGHT ALSO HAVE TO BE DELAYED UNTIL THIS CONFLICT IS RESOLVED.

4. COMMENT: THE PROMULGATION OF THE CHILEAN FOREIGN INVESTMENT LAW HAS APPARENTLY CONFRONTED THE ANDEAN PACT WITH A DILEMMA. THE OTHER MEMBER COUNTRIES CANNOT, WITHIN THE ANDEAN PACT SYSTEM, PERMIT CHILE THE ADVANTAGES WHICH WOULD ACCRUE TO THE LATTER AS A RESULT OF THE NEW LAW'S PROVISIONS. ON THE OTHER HAND, CHILE CANNOT, EVEN IF IT WERE NOW SO INCLINED, SIMPLY SCRAP ITS NEW LAW AND START AGAIN.

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THE ANDEAN PACT STAFFER TOLD EMBASSY OFFICER THAT HE, FRANKLY, DID NOT SEE A VIABLE SOLUTION IN THE SHORT TERM TO THIS PROBLEM.

DEAN

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